

Business Case

EMPLOYERS THAT VIEW workers as assets rather than merely a cost of doing business are finding greater success in their bottom line.

The cost of replacing a minimum wage worker is estimated at about \$3,700 per worker.¹ The replacement costs go up as the skill levels rise, ranging anywhere from 25 percent to 200 percent of a worker's annual salary.² Even in low wage industries the cost of employee turnover can be a significant business cost. Critically, reducing turnover is not all about increasing wages. Other organizational levers can also impact turnover, such as the availability of training, workplace supports, and organizational culture.³ The advantages of reduced turnover can far outweigh the cost of investment in employee workplace supports.

This toolkit focuses on a critical dimension of employee support — looking at how employers can help hourly and frontline workers build assets and thus reduce turnover. Much of the emphasis on entry-level worker development has been on getting an individual into a job. In fact, there is much to be gained from offering sustained support to individuals after they are employed. Employers can impact turnover and thus their bottom line by helping to create the support mechanisms found in an asset building model. This toolkit gives information about resources to help employers develop such models and makes reference to the myriad of funding opportunities that exist to build employee assets.

Asset building strategies include tangible and intangible aspects. Home ownership is a tangible asset that creates stability in workers. Banking options that reduce the cost of accessing a paycheck are an asset. Developing skills and knowledge is an asset that makes the employee more valuable to the employer. Creating mentoring and strong internal relationships within a company is an intangible asset but one that can have a big impact on turnover. Front line and entry-level workers are especially impacted by such employer actions.

Aside from the major cost factors associated with turnover, two other significant dynamics drive businesses to focus on the entry-level workforce. One, job growth is occurring in the hourly and service sector jobs,⁴ and two, these staff represent the company's brand. Investing in the staff who deliver the company's product or service is an investment in the company's brand, and ultimately, its own bottom line.



¹Mushrush, Willis. "Reducing Employee Turnover." *Creating Quality Newsletter*. Volume 11, N. 5, Missouri Small Business Development Centers, May 2002.

²Branham, Leigh F. *Keeping the People that Keep You in Business: 24 Ways to Hang onto Your Most Valuable Talent*. AMACOM; October 2000.

³Mushrush, Willis. "Reducing Employee Turnover." *Creating Quality Newsletter*. Volume 11, N. 5, Missouri Small Business Development Centers, May 2002.

⁴Osterman, Paul. "Employers in the Low-Wage/Low-Skill Labor Market" *Low-Wage Workers in the New Economy*. Eds: Kazis, Richard and Marc S. Miller. Washington, D.C.: The Urban Institute Press, 2001, pp. 45-66.

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"Since lower-wage workers are most often the employees that have a direct impact on the customer and the product care, their satisfaction and well-being are key business priorities."⁵

Improving employee assets improves the bottom line.

Polices and programs targeted to lower-wage employees have a positive impact on employee retention and productivity, a recent study by the Boston College Center for Work and Family demonstrates. While many companies have workplace supports in place for management staff, fewer supports tend to cater to entry-level staff. Further, while most employees worry about family and financial issues to some extent, different kinds of supports are needed to effectively meet the needs of entry-level and hourly employees. The study, *Model Programs and Policies for Hourly and Lower Wage Employees*, presents case studies on effective workplace supports ranging from child care to financial education.

Workplace supports for low-income workers resulted in:⁶

- Improved retention of hourly employees
- Increased worker productivity
- Decreased absenteeism as workers better integrate work and life issues
- Increased worker competency and likelihood for advancement, thus reducing recruiting costs and improving customer service

Another major study revealed that employer-provided work supports that assist entry-level workers with immediate needs (such as transportation and child care subsidies) have a higher positive effect on first-year retention than do traditional HR benefits such as health insurance.⁷

Assets build stability and productivity in the workplace

The reason workplace supports targeted to lower wage workers improve a company's performance is that these supports build assets among employees, contribute to worker/family stability, and ultimately result in increased workplace productivity.

According to recent research, assets:⁸

- Are associated with economic household stability
- Decrease economic strain on households
- Are associated with educational attainment
- Decrease marital dissolution
- Decrease the risk of intergenerational poverty transmission
- Increase health and satisfaction among adults
- Increase property values
- Decrease residential mobility
- Increase property maintenance
- Increase local civic involvement



⁵Corporate Voices for Working Families. *Model Workplace Supports for Lower-Wage Employees*. Washington D.C.; Corporate Voices for Working Families. 2005.

⁶Litchfield, Leon, Jennifer Swanberg, and Catherine Sigworth. *Model Programs and Policies for Hourly and Lower Wage Employees*. The Center for Work and Family, Boston College Carroll School of Management. 2004.

⁷Taylor, Judith Combes and Jerry Rubin. *Engaging Employers to Benefit Low-Income Job Seekers: Lessons from the Jobs Initiative*. Jobs for the Future. June 2005.

⁸Scanlon, E. and Page Adams, D. (2001). *Effects of Asset Holding on Neighborhoods, Families and Children: A Review of Research in Building Assets: A Report on the Asset Development and IDA Fields*. Washington D.C.: Corporation for Enterprise Development, pp. 3,043–3,045.

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This dynamic is especially important as many entry-level staff are asset-poor, meaning they and their families lack the asset base to weather even small hardships, such as a car that breaks down. Such an event is more likely to result in a lost job for a family without an asset base sufficiently robust enough to pay for the repairs and navigate an alternate way to get to work than for a family with a financial cushion and a good support network. In fact, almost 20 percent of the U.S. population lacks the assets to live at the federally defined poverty level for three months without income.⁹

Asset-building policies — policies that support families in building wealth for current and future generations — have long been an integral feature of the American political and economic landscape. In 1862, the Homestead Act provided 1.5 million families with land and the opportunity to start farms and to build homes, enabling them to accumulate and transfer assets to future generations. From 1944 onwards, the GI Bill has helped millions of World War II and Korean War veterans to invest in homes and education. However, most government policies that serve low-income families have focused on income

maintenance rather than asset accumulation.¹⁰ As a result, employer supports for entry-level staff represent the forefront of asset building strategies for workers.

The benefits to employers of helping workers create assets are becoming more and more important, driven by both the growing size of the low-wage workforce and from the dramatic impact such strategies can have. It is in a business's best interest to learn about how such strategies can be developed and what supports are available. This toolkit will help you begin that process by providing information about various types of assets and the resources available to support them. But this is only a first step. Every business is different and finding the right mix of supports that work for your employees will take internal discussion best achieved with a high degree of employee involvement. There is no doubt that this process will take time and investments but the returns can change your bottom line and increase your competitive advantage in a world where finding that advantage can mean the difference between success and failure. This toolkit can be part of your path to success.

Did you know?

- Almost twice as many people are asset poor as are income poor.

⁹Sherraden, Michael. "Asset Building Policy and Programs for the Poor." Thomas M. Shapiro and Edward N. Wolff, eds. *Assets for the Poor: the Benefits of Spreading Asset Ownership*. New York: Russell Sage Foundation. 2001.

¹⁰Asset Building Policy Project. *Helping Working Families Achieve Financial Security*. Community Economic Development Association of Michigan. January 2005.



Employer Quick Links

Websites

Child Care

4C Association: www.mi4c.org

MassGeneral Hospital for Children: www.massgeneral.org/children/ccahp

Employer Research on Best Practices

Corporate Voices for Working Families: www.cvworkingfamilies.org

Families and Work Institute: www.familiesandwork.org

Building Financial Assets

Center on Budget and Policy Priorities: www.cbpp.org

Michigan IDA Partnership: www.cmif.org/IDA.

Michigan League for Human Services: www.milhs.org

Housing

National Low-Income Housing Coalition: www.nlihc.org/oor2005

Policy Topics

9 to 5, National Association of Working Women: www.9to5.org

Brookings Institution: www.brookings.edu

Center for Social Policy and Law: www.clasp.org

Community Economic Development Association of Michigan: www.cedam.info

Michigan League for Human Services: www.milhs.org

Urban Institute: www.urban.org

Note: The Brookings Institution, CLASP, and the Urban Institute have reports and studies on every topic covered in this employer toolkit.

Poverty Data

Census: www.census.gov

Economic Policy Institute: www.epi.org

Michigan League for Human Services: www.milhs.org

Reports

Children with Special Needs and the Workplace: A Guide for Employers. MassGeneral Hospital for Children. 2006.

Economic Self-Sufficiency in Michigan: A Benchmark for Ensuring Family Well-Being. Michigan League for Human Services. 2004.

From Poverty, Opportunity: Putting the Market to Work for Lower Income Families. Brookings Institution. 2006.

Helping Working Families Achieve Financial Security. A Report of the Asset Building Coalition for Michigan. Community Economic Development Association of Michigan. 2005.

High Cost or High Opportunity Cost? Transportation and Family Economic Success. Policy Brief. Brookings Institution. 2005.

Increasing the Visibility for the Invisible Workforce: Model Programs and Policies for Hourly and Lower Wage Employees. The Center for Work and Family, Boston College Carroll School of Management, 2004.

Keeping Jobs and Raising Families in Low-Income America: It Just Doesn't Work. A Report of the Across the Boundaries Project. Radcliffe Institute for Advanced Study. Harvard University. 2002.

Model Workplace Supports for Lower-Wage Employees. Corporate Voices for Working Families. 2004.

Out of Reach 2005. National Low-Income Housing Coalition. 2005.

Promising Practices: How Employers Improve their Bottom Lines by Addressing the Needs of Lower-Wage Workers. Families and Work Institute. 2003.

"Strategies for Promoting Tax Credits for Working Families." Center on Budget and Policy Priorities. 2006.

Wising Up: How Government Can Partner with Business to Increase Skills and Advance Low-Wage Workers. Center for Social Policy and Law (CLASP). 2006.

Workplace Benefits for Families of Children with Special Needs: A Guide for Employees. MassGeneral Hospital for Children. 2006.

